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3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, May 11

NIHON KEIZAI (Page 2) (Full)

May 12, 2006

10:10

Met at Kantei with Deputy Chief Cabinet Secretary Nagase, followed by Vice Defense Minister Moriya.

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13:08

Attended Lower House plenary session.

14:59

Returned to Kantei.

16:05

Met with Okinawa Gov. Inamine, joined by Foreign Minister Aso and Defense Agency Director General Nukaga.

18:30

Met with Upper House member Yoriko Kawaguchi.

19:07

Met at his official residence with Chief Cabinet Secretary Abe, Administrative Reform Minister Chuma, Lower House Administrative Reform Committee Chairman Ibuki, and committee directors from the ruling parties.

4) Fukuda meets with US Secretary of State Rice

SANKEI (Page 5) (Full)

May 12, 2006

By Hiroyuki Kano, Washington

Former Chief Cabinet Secretary Yasuo Fukuda met in Washington with US Secretary of State Condoleezza Rice for about 30 minutes on the afternoon of May 10 (morning of May 11, Japan time). They are believed to have discussed the Asia situation, including the strained Japan-China relations, as well as the Middle East situation, even though what they discussed has yet to be unveiled. After the meeting, Fukuda told reporters, "We discussed various issues."

Former US Ambassador to Japan Howard Baker and Japanese Ambassador to the United States Ryozi Kato also attended the meeting. Prior to his meeting with Rice, Fukuda exchanged views with Asia experts from the Congressional Research Service (CRS).

5) Futenma relocation: Government to devise implementation plan; Challenges, such as Okinawa's request for temporary heliport, lie ahead for completion of relocation by 2014

NIHON KEIZAI (Page 3) (Excerpts)

May 12, 2006

The issue of relocating Futenma Air Station, a key element in the realignment of US forces in Japan, has moved a step closer to realization. Now that Okinawa Gov. Keiichi Inamine has reversed his previous stance and effectively approved the airfield's relocation to the coastline of Camp Schwab, the government aims for a cabinet decision on May 19 to map out an implementation plan, including a timetable for construction, through talks with

local communities. But the government's response to Okinawa's request for a temporary heliport is still unclear. Hurdles still remain for the realization of the Japan-US agreement to complete the relocation by 2014.

Asked by reporters about the significance of the broad agreement reached between the Defense Agency and Okinawa, Prime Minister Junichiro Koizumi said last night, "It carries great

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significance," adding, "A cabinet decision must be made based on a set of procedures."

According to a government source, a cabinet decision would be made on a plan to build two 1,800-meter runways in a V-shape on the coastline of Camp Schwab. Devising an implementation plan for facilities and other specifics would follow coordination with the US and local communities.

As a condition for accepting the relocation plan, Inamine insisted on the inclusion of the "elimination of risks at Futenma Air Station" in the agreement with the government. The government must conduct environmental surveys in the eight years before the alternative facility is completed in 2014. Inamine's request reflects Okinawa's desire to relocate Futenma's helicopter unit as soon as possible.

Okinawa has called for the construction of a temporary, easy-to-build heliport on the land portion of Camp Schwab. But the Defense Agency remains reluctant to accept the request for financial reasons. Although the agency is planning to relocate the helicopter unit to the alternative facility in stages even while it is under construction, it remains to be seen if the US military will approve such a plan.

6) Tokyo, Okinawa reach agreement on Futenma relocation; Prime Minister Koizumi, "We'll respond to Okinawa with sincerity"; Tokyo to do its utmost for employment measures; Futenma plan likely to get cabinet approval next week

YOMIURI (Page 1) (Full)
May 12, 2006

Prime Minister Junichiro Koizumi yesterday evening met with Okinawa Gov. Keiichi Inamine at the Prime Minister's Official Residence and confirmed the contents of an agreement recently reached between the governor and Defense Agency Director-General Fukushima Nukaga on the relocation plan for the US Marine Corps Futenma Air Station in Ginowan City, Okinawa Prefecture. Following the basic agreement with Inamine, the central government will seek cabinet approval as early as next week for its policy of implementing the plans for the realignment of US forces in Japan without falling behind the schedule.

The meeting came following the agreement reached yesterday morning between the governor and JDA Director-General Nukaga on advancing discussions between (Tokyo and Okinawa) basically in line with the plan finalized by the Japanese and US governments for relocating the Futenma airfield to a coastal area of Camp Schwab in Nago City. The meeting was joined by Foreign Minister Aso and Nukaga.

Gov. Inamine said, "Security affairs fall under the exclusive control of the state," but added: "When there is the return of land, there are very difficult problems to deal with, for instance, how to use vacated land and employment of workers (at US military facilities). I'd like the central government to deal with matters that cannot be handed under the existing laws." Inamine thus called on the central government to give due consideration to how to use vacated land, as well as how to secure employment for Japanese base workers, based on the agreement between Tokyo and Washington on such plans as

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transferring Marines from Okinawa to Guam and relocating the Futenma airfield. Koizumi told Inamine that the government would address his request with sincerity, saying, "We on the part of the central government would like to make every possible effort to respond to your request." On the plan to open an Okinawa Graduate University for Science and Technology in Onnason Village, Koizumi said: "I will realize it at an early date in order to raise the level of science in Japan."

7) With Okinawa governor's broad agreement to Futenma plan, prime minister promises to take economic measures, including use of vacated land, jobs for local employees

TOKYO SHIMBUN (Page 1) (Excerpts)
May 12, 2006

Okinawa Governor Keiichi Inamine reached an agreement with the government to conduct further discussions based on the government's plan to relocate the US Marine Corps' Futenma Air Station in Ginowan to a coastal area of Camp Schwab in Nago. Following the agreement, Prime Minister Junichiro Koizumi met with Inamine at his official residence for about 15 minutes yesterday afternoon and said: "The government will make utmost efforts with sincerity" to take measures to revitalize the local economy after the return of the US base to Japan, focusing on the use of the vacated land and the reemployment of local base workers.

Inamine told Koizumi that the prefecture would deal with the Futenma relocation issue based on the government's plan, remarking: "Although the prefecture has its own position on the base issue, we also want to address the issue."

Inamine then asked Koizumi to take every possible measure for the prefecture, including new legislation, saying: "The return (of US military bases) involves such difficult issues as how to use the vacated land and what to do with local base workers. Some of such issues cannot be resolved under current laws. I would like you to take this into consideration."

8-1) Prime Minister Koizumi meets with Okinawa Gov. Inamine on Futenma relocation; Tokyo to consider new legislation for local development, which will include plan for establishment of consultative body joined by Okinawa

ASAHI (Top play) (Lead paragraph)
May 12, 2006

Prime Minister Koizumi yesterday met with Okinawa Gov. Keiichi Inamine at the Prime Minister's Official Residence and the two confirmed that Tokyo and Okinawa would continue consultations on the planned relocation of the US Marine Corps Futenma Air Station in Ginowan City, Okinawa Prefecture to the cape of Henoko in Nago City in the prefecture, based on Tokyo's relocation plan. The central government will obtain cabinet approval possibly next week for its policy concerning the plans on the realignment of US forces in Japan. Included in the policy will be a plan for establishing a consultative body between relevant municipalities, including Okinawa Prefecture. Tokyo will also announce a policy of discussing a relevant bill on the US force realignment regarding Japan's share of the cost for the relocation of US Marines from Okinawa to Guam, as well as local promotion

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measures.

8-2) Inamine gives importance to economic stimulus measures; Futenma relocation may stall depending on who wins November Okinawa gubernatorial race

NIHON KEIZAI (Page 3) (Excerpts)
May 12, 2006

Okinawa Gov. Keiichi Inamine has softened his stance regarding the Futenma relocation issue. He has apparently judged it wise to push ahead with a package of economic stimulus measures,

including ways to utilize vacated US bases and creating jobs, in tandem with the government's cabinet decision, to meet Okinawa's strong calls.

"I am determined to accomplish anything that is possible in my tenure of office," Inamine said to reporters in Tokyo yesterday. He also described his broad agreement with the Defense Agency as a big step forward.

There is some skepticism in the Okinawa business community about chances for the conservative prefectural administration to survive the gubernatorial election in November. It was necessary for Inamine, who might not run in the race, to highlight his achievements other than economic stimulus measures, such as ways to improve the operation of the Japan-US Status of Forces Agreement.

The agreement reached between Inamine and the Defense Agency has drawn a mixed reaction from Okinawa. Chairman Kureya of the Okinawa Construction Business Association noted: "The governor made maximum concessions for eliminating risks at Futenma. A speedy relocation will help save the construction industry."

Representative Miyazato of an Okinawa issues research group said bitterly, "I had hoped the governor would oppose the Futenma relocation. His about-face was a disappointment. It will have a huge impact on the gubernatorial election in November, drawing a strong backlash from Okinawa residents." In the event of a reformist being elected governor, the relocation issue might again stall.

9) Okinawa Gov. Inamine unlikely to run again

ASAHI (Page 1) (Full)
May 12, 2006

Okinawa Gov. Keiichi Inamine, 72, now serving his second term, has decided not to run again in the gubernatorial election set to take place as his term of office will expire in December. He will likely announce his final decision about his course of action in June, when the prefectural assembly is convened, but a process for choosing his successor is likely to be accelerated down the road. Inamine has previously told his aides: "I'd like to hand over my mantle to someone." At a press conference after the meeting yesterday between him and Prime Minister Koizumi on the realignment of US forces in Japan, Inamine was asked about the gubernatorial race. Referring to media reports, he made crystal clear his intention not to run for a third term, saying: "People already understand my basic thoughts on the matter."

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10) Prime Minister in Diet reply: "Specifying Japan's share of total US realignment cost is difficult"

NIHON KEIZAI (Page 2) (Excerpts)
May 12, 2006

In a House of Representatives plenary session yesterday, Prime Minister Junichiro Koizumi stated regarding Japan's share of the total cost of relocating US forces in Japan: "We will closely examine the details of Japan's share, so it is difficult to present a specific figure at present." On the 26 billion dollars (approximately 3 trillion yen) that US Deputy Under Secretary of Defense Lawless estimated as Japan's share, the prime minister only said: "We have yet to reach agreement on any specific amount."

Defense Agency Director General Fukushima Nukaga also stopped short of mentioning any concrete cost, just saying: "While taking the nation's current austere fiscal situation into consideration, we would like to closely examine details with the US and then coordinate views with the relevant government agencies."

Minshuto (Democratic Party of Japan) member Koichi Takemasa stated regarding the estimate presented by Lawless: "I was

stunned. It is a problem that not the Japanese government but a US ranking official presented the estimate." He then questioned if it is necessary for Japan to bear a huge share of the realignment cost."

11) Opposition camp criticizes Japan's burden for US force realignment in Lower House plenary session

YOMIURI (Page 4) (Full)
May 12, 2006

The Lower House plenary session yesterday conducted a question-and-answer session on the final report on the realignment of US forces in Japan. Taking up the fact that US Deputy Defense Under Secretary Richard Lawless had estimated at one point Japan's

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share for US force realignment, including the relocation of Okinawa-based Marines to Guam, at 26 billion dollars (2.886 trillion yen based on the exchange rate of the fiscal 2006 budget), Koichi Takemasa of the opposition Minshuto (Democratic Party of Japan) asked for a concrete explanation, saying in a strong tone, "We are angry about having been pressed for a huge burden under the country's tight financial situation."

Prime Minister Koizumi replied:

"The government was not aware in advance what Mr. Lawless would announce. We will closely examine necessary expenses, and it is difficult at this point to present the total amount clearly."

12) Airlines ask for early return of Yokota RAPCON; "If Yokota's big wall is removed, lower airfares and faster flights will be possible"

YOMIURI (Page 38) (Excerpt)
May 12, 2006

As part of the realignment of US forces in Japan, it has been decided to return a portion of the radar approach control

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(RAPCON) at the US Yokota Air Base to Japan by September 2008. Prompted by this decision, the Scheduled Airlines Association of Japan (SAAJ), consisting of 11 domestic airlines, yesterday submitted a petition calling for an early return of RAPCON to the Ministry of Land, Infrastructure, and Transport (MLIT) and other government offices. According to an MLIT official, the so-called Yokota RAPCON, which puts restrictions on commercial flights, has been called a "big wall standing in airspace west of Tokyo" by airline officials for many years. SAAJ looks to the return, saying: "The return (of RAPCON) will bring about efficient flights, less fuel consumption, and the easing of air gridlock."

13) Koizumi, Aoki agreed on May 8 to extend Diet session; Coordination underway on length of extension

NIHON KEIZAI (Page 2) (Full)
May 12, 2006

Prime Minister Junichiro Koizumi and Mikio Aoki, chairman of the Liberal Democratic Party (LDP) caucus of the House of Councillors, agreed on May 8 to extend the term of the current Diet session, which will end on June 18, it was learned yesterday. The two had reportedly concealed their decision out of fear of possible boycotts of deliberations on key bills by the opposition camp.

According to senior LDP members, Koizumi and Aoki have agreed to significantly extend the session in order to pass a bill revising the Basic Education Law through the Diet during the ongoing session.

Aoki and former Prime Minister Yoshiro Mori reached an agreement in a meeting on May 7 to aim at enacting the legislation during the current Diet session.

The focus is now on how many days the session should be extended. The decision will likely be made just before the current regular session is over after watching closely the development of deliberations on important bills.

14) Former Prime Minister Mori urges Ichita Yamamoto to resign from faction

SANKEI (Page 5) (Full)
May 12, 2006

In a general meeting of his faction yesterday, former Prime Minister Yoshiro Mori of the Liberal Democratic Party (LDP) urged House of Councillors member Ichita Yamamoto, who has openly vowed to support Chief Cabinet Secretary Abe in the upcoming LDP presidential race, to withdraw from the faction, saying:

"It's not good for Mr. Abe (because he has yet to announce his candidacy for the election). You will kill him with kindness. I warned you the other day, saying, 'You should remain in calm.' But today I urge you to withdraw (from the faction)."

After the meeting, Yamamoto reacted strongly, saying:

"I cannot understand that it is not good to speak up that Mr. Abe, an ace of our faction, is appropriate to be the next prime minister. There is no reason for me to give up my membership of

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the faction."

Abe called Yamamoto in the Prime Minister's Official Residence and said to him, "If there are misunderstandings, I want you to make efforts to clear them up."

15) US Secretary of Treasury constrains Japan during telephone dialogue with Tanigaki; Alarmed about yen-selling intervention

SANKEI (Page 9) (Full)
May 12, 2006

It was learned yesterday that Finance Minister Sadakazu Tanigaki and his US counterpart John Snow talked on the phone. According to a government source, the two financial chiefs exchanged views on exchange rates, as the yen is now strong against the dollar. Snow reportedly urged Japan not to sell yen and buy dollars in an effort to prevent a sharp rise in the value of the yen. He made this move, bearing in mind the US auto industry, which favors a weak-dollar trend.

Vice Finance Minister Hosokawa during yesterday's regular press briefing said, "I would like to refrain from making a comment on the telephone talks," but he added: "The Finance Ministry makes contact with cabinet ministers of the G-7 nations and to exchange information and views as occasion."

Commenting on the exchange market, where the yen is gaining further ground, Hosokawa hinted at the possibility of intervening in the market to constrain the yen's sharp rise. He explained: "Finance ministers and central bank governors from the Group of Seven nations in a statement issued in April reaffirmed their position that exchange rates should reflect the economy's basic conditions. We are closely watching the movements of exchange rates and will take appropriate measures when needed."

16) OIE withdraws initial proposal for free trade in boneless meat

ASAHI (Page 8) (Full)
May 12, 2006

It was learned yesterday that the World Organization for Animal Health, known as OIE, has withdrawn its initial proposal for removing restrictions on trade in boneless beef. The OIE is drafting a new proposal to reinstate the age limit of 30 months

for boneless beef and intends to present it at its annual meeting to start on May 21 in Paris.

In its meeting last year, the OIE adopted a new international standard to allow boneless beef from cattle 30 months of age or younger to be traded without restrictions. This year, the organization decided to further ease the regulation to remove the age limit of 30 months and notified Japan and other member countries of the new proposal. In a press conference yesterday, Agriculture, Forestry, and Fisheries Vice Minister Mamoru Ishihara welcomed the OIE's withdrawal of the proposal.

17) Government to propose Japanese-style energy conservation system at Environment Forum to convey successful cases to China

MAINICHI (Page 2) (Full)

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May 12, 2006

The government yesterday decided to propose a Japanese-style energy conservation method to China during the Japan-China Energy Conservation and Environment Forum to be held in Tokyo starting on May 29. Specific proposals include legislating energy-saving guidelines set by each government agency and introducing tax incentives for the promotion of energy conservation. The sharp increase in energy consumption in China is said to be a reason for soaring crude oil prices and environmental pollution. The government wants to help China conserve energy by conveying Japan's successful cases.

China released a mid- to long-term energy conservation plan in 2004. It has also established a number of energy conservation-related laws. However, since there are no specific numerical targets and a monitoring system has not been established yet, its energy efficiency remains at one-ninth of the level achieved by Japan.

For this reason, Japan will work on China to introduce a Japanese-style energy conservation method, by showing actual examples, including the standardization of numerical energy-conservation targets, a system Japan introduced in the 1970s, learning a lesson from the oil crises at that time.

SCHIEFFER